

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: May 12-13, 2004

Reference No.: 3.7
Information Item

From: ROBERT L. GARCIA
Chief Financial Officer

Prepared by: Warren Weber
Chief
Division of Rail

Ref: **INTERCITY RAIL – 3rd QUARTER OPERATIONS REPORT FOR FY 2003-04**

SUMMARY

This is the Intercity Rail Operations Report requested by the California Transportation Commission (Commission) for the 3rd Quarter of Fiscal Year (FY) 2003-04. The report provides ridership, farebox ratio, passenger miles per train mile, and on-time performance measures, with descriptive text for each route. At the time this report was prepared, the Department of Transportation (Department) had not received the final third quarter financial information from Amtrak. As a result, the ridership and on-time performance data covers the third quarter of the fiscal year (January through March, 2004) while financial information covers the second quarter of the fiscal year (October through December, 2003).

California provides financial and administrative support for expanded Amtrak intercity rail passenger service on three corridors within the state: the *Pacific Surfliner Route* between San Diego, Los Angeles and San Luis Obispo; the *Capitol Corridor* between the Sacramento region, Oakland and San Jose; and the *San Joaquin Route* to Bakersfield from both Oakland and Sacramento. These routes are, respectively, the second, third, and fifth busiest routes in the entire national Amtrak system. State support for the *Pacific Surfliner* and *San Joaquin* routes is administered by the Department of Transportation (Department), while support for the third corridor is administered by a separate agency, the Capitol Corridor Joint Powers Authority, using funding provided through the Department.

After nearly a year and one-half of unprecedented growth, total ridership on California's three State-supported Amtrak intercity rail passenger services declined in comparison to the comparable quarter of the prior fiscal year. Total ridership during the third quarter on the three routes declined 1.2 percent compared to the comparable quarter in FY 2002-03; however, ridership during the third quarter of FY 2002-03 year was boosted due to a "50 percent off" fare promotion held during February and March of 2003.

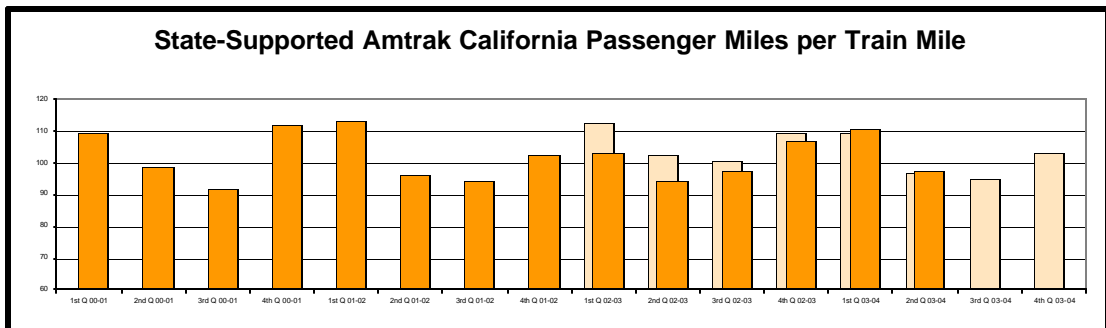
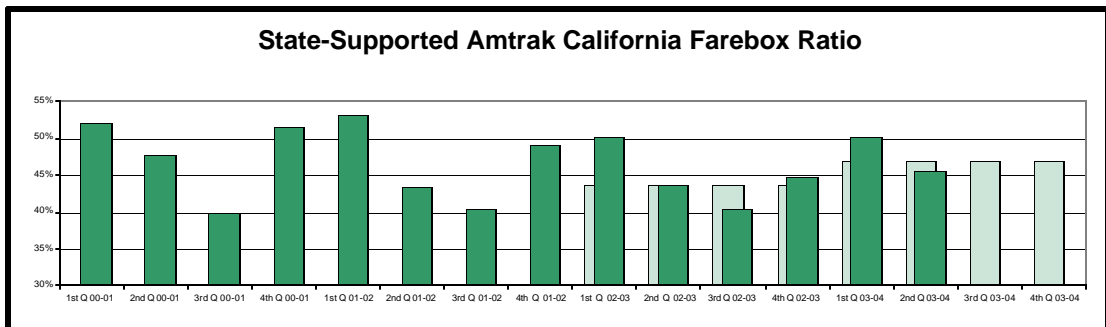
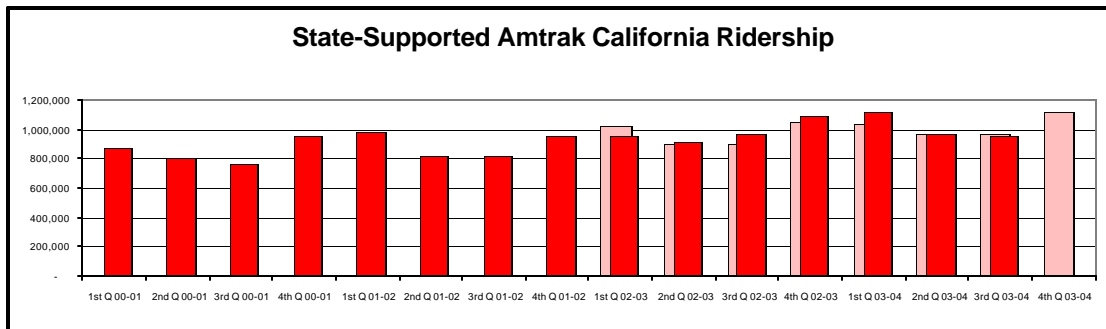
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Financial indicators for the services remain strong with second quarter revenues 10.1 percent above the comparable quarter of FY 2002-03. The combined farebox ratio for the quarter was 46 percent—two percentage points higher than the 44 percent figure from last fiscal year’s 2nd quarter data.

Passenger Miles per Train Mile (PM/TM), a measure of the average number of passengers on board an individual train at any one time, were 97—3.2 percent above the 94 PM/TM of the second quarter of last year.

The following graphs depict the combined results of the three State-supported rail corridors in California. Route specific charts are in the sections for each route that follow:



Note: Solid Bars reflect actual data; Shaded Bars reflect Business Plan Projection

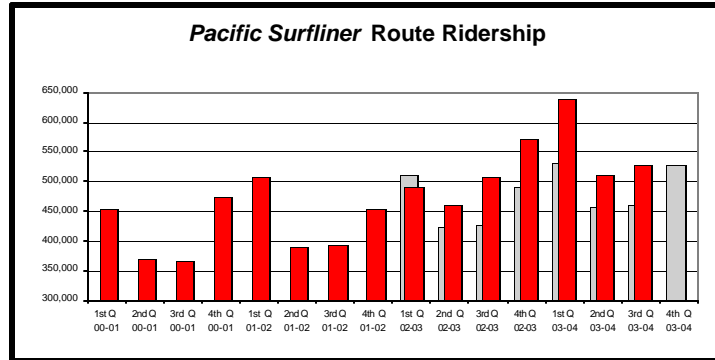
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Pacific Surfliner Route

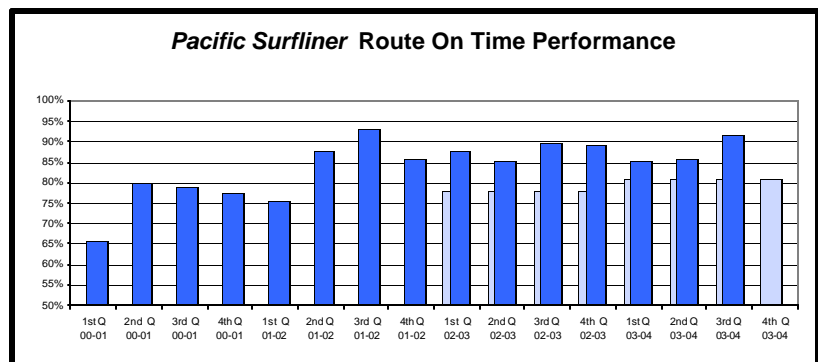
There are currently eleven weekday round trips between Los Angeles and San Diego, four of which are through trains between San Diego and Goleta (Santa Barbara). One of the four Santa Barbara round trips continues north to and from San Luis Obispo. On weekends there is a twelfth round trip between San Diego and Los Angeles and a fifth round trip between Los Angeles and Santa Barbara.

Continuing on the heels of a record 2002-03 fiscal year when more than 2 million passengers rode the service, *Pacific Surfliner* ridership continued its growth through the third quarter of FY 2003-04 (January through March, 2004). With just over 526,000 passengers, total ridership for the third quarter was 3.8 percent higher than the previous year and exceeded the Business Plan projection for the quarter by nearly 15 percent.



The Amtrak and Metrolink “Rail 2 Rail” program, which provides the mutual honoring of tickets for travel on trains of either system continues to help spur ridership increases on both Amtrak and Metrolink services. Based on the success of the Amtrak and Metrolink Program and the increased ridership both agencies have experienced, the Department and the North County Transit District have inked an agreement to offer a similar program on the *Coaster* service operating between Oceanside and San Diego in San Diego County. The *Coaster* “Rail 2 Rail” program started on April 1, 2004. Although initially a six-month trial, the Department anticipates the Program will become a permanent fixture as the *Coaster* service experiences the same growth in ridership and revenues experienced by Metrolink and Amtrak. In addition to the “Rail 2 Rail” program, targeted marketing to the senior and Hispanic markets is also contributing to the higher ridership and revenue on the corridor.

On-time performance for the first quarter remained at 85 percent. The level remains above the Business Plan projection of 81 percent.

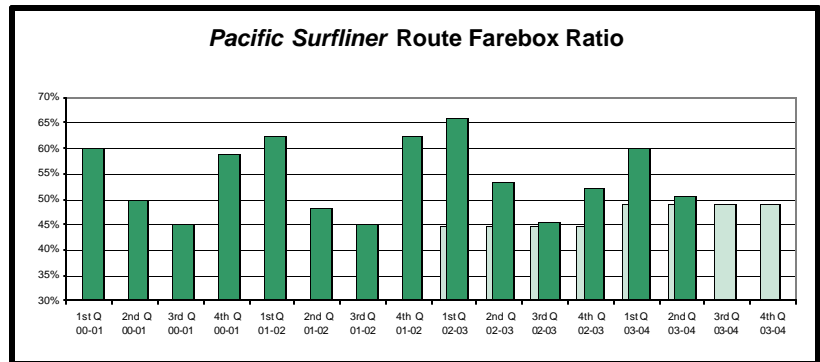


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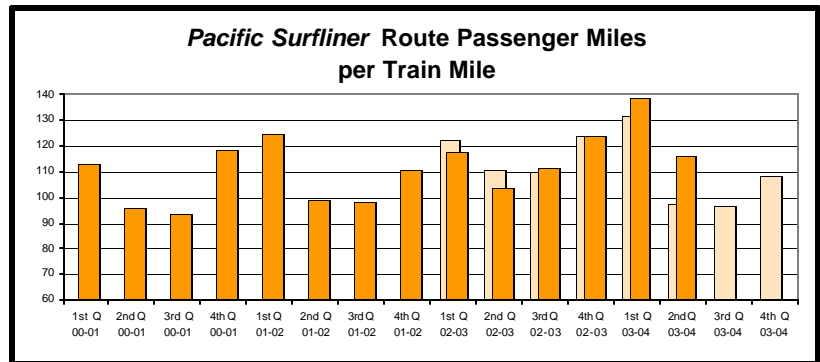
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Pacific Surfliner Route (continued)

Second quarter revenues (October through December 2003) for FY 2003-04 for the *Pacific Surfliner* increased 8.3 percent compared to the same quarter the previous year. Expenses also grew 14 percent during the same period due to fuel cost, insurance, wreck damage repair and seasonal marketing cost. Although expenses were up, they were still less than the Business Plan projection by 20.3 percent. 2nd quarter farebox recovery was 50.6 percent, compared to 53.2 percent recovery achieved in the second quarter of FY 2002-03, but was above the Business Plan projection of 49 percent.



Second quarter PM/TM climbed by 11.5 percent from 104 passenger miles per train miles to 116. The growth in this indicator is, in large part, an effect of the “Rail-2-Rail” program that brings short-distance Metrolink riders onto the Amtrak trains.



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San Joaquin Route

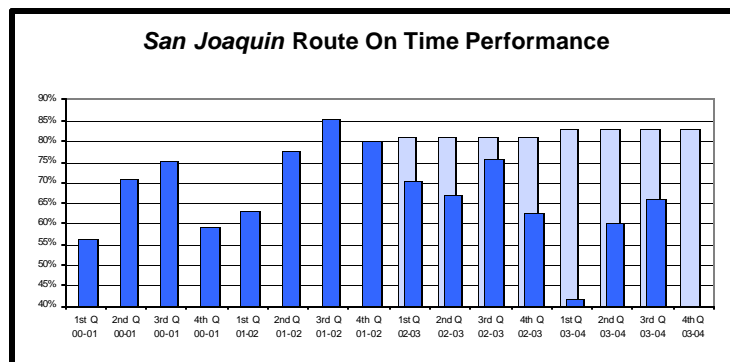
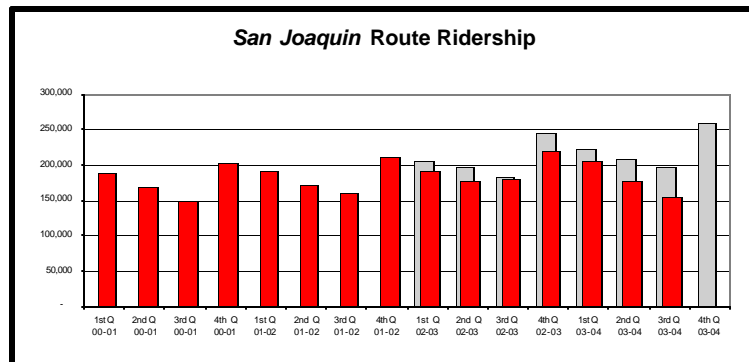
There are currently six daily train round trips serving the *San Joaquin Route*, four operating between Bakersfield and Oakland/San Francisco and two operating between Bakersfield and Sacramento. All six round trips have dedicated bus connections to stations throughout Southern California. On the north end, similar buses connect Sacramento with the Oakland trains and San Francisco/Oakland with the Sacramento trains, thus providing six daily arrivals and departures for both northern terminals. Additional connecting buses provide feeder service to communities throughout the north end of the State.

After 17 consecutive quarters of growth, compared to the comparable quarters of the prior fiscal year, third quarter ridership on the *San Joaquins* posted a decline compared to the same quarter in FY 2002-03. Total ridership for the third quarter (January through March 2004) of FY 2003-04 fell by just over

25,000 riders or 14 percent compared to the same quarter the year before. With the decline, ridership fell 21 percent below the projection in the Business Plan.

Two key factors contributed to the not unexpected drop in ridership. First, prior year (2002-2003) third quarter ridership received a boost from a “50 Percent Off” fare promotion. The most price sensitive of the three state supported Corridors, nearly one-quarter of all *San Joaquin* riders took advantage of the promotion during its two month duration. Also contributing to the decline in third quarter ridership compared to last year was a maintenance “track blitz” that took the track between Bakersfield and Fresno out of service for a two week period. Although a “bus bridge” was in place connecting the two cities, many San Joaquin passengers opted to use other means of transportation rather than use the buses—particularly those passengers who were already riding buses between Bakersfield and Los Angeles.

Although improved, on-time performance (OTP) in the corridor remains below expectations. With OTP at 66 percent for the third quarter, the performance is far below the Department’s OTP goal of 83 percent. Freight interference remains the largest cause of the late trains. The Burlington Northern Santa Fe (BNSF) has initiated a number of actions to improve performance. However, a major factor limiting immediate improvements in OTP is the fact that most of the Corridor is single track with limited opportunities to pass



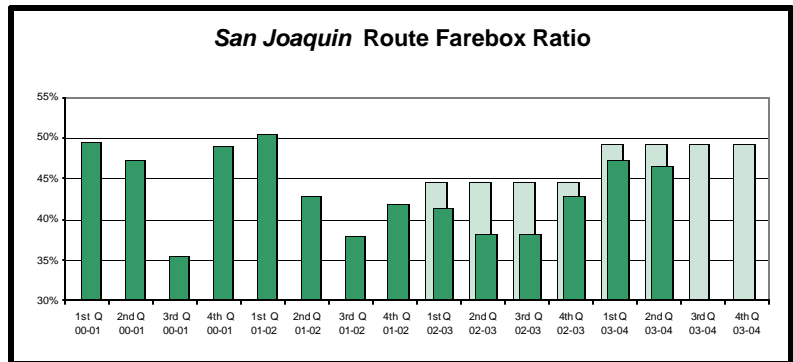
San Joaquin Route (continued)

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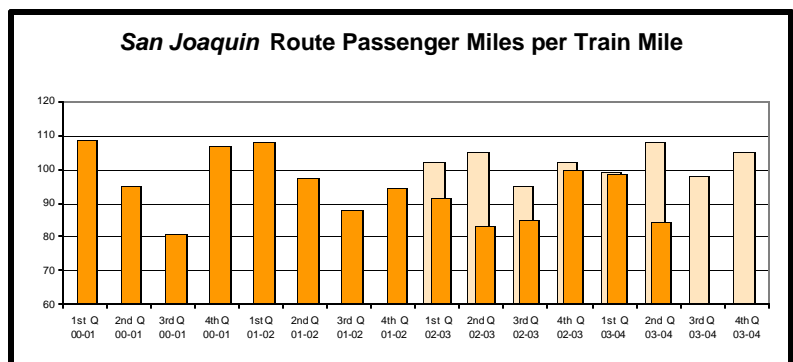
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slower trains or to meet trains going in the opposite direction. Making the system operate effectively, particularly given the traffic volumes on the BNSF, is a carefully choreographed ballet. If one train is out of its time slot, particularly if something unanticipated such as a grade crossing accident or signal failure caused the delay, the impact often cascades throughout the corridor impacting schedules of all trains operating in the corridor multiplying the impact of poor on time performance. The Department considers the corridors current on-time performance inadequate and is working with the railroad and Amtrak to identify and suggest changes to improve traffic flow.

With revenues up 13.7 percent over the second quarter of FY 2002-03 and expenses 6.4 percent less than the same quarter last year, the *San Joaquin's* farebox ratio finished the quarter at 46.5 percent, up significantly from the 38.2 percent recovery of the 2nd quarter of FY 2002-03. The quarter's farebox is just slightly below the 49 percent farebox recovery projected for the year in the Business Plan. Although revenues were higher than the comparable quarter of FY 2002-03, they were still 12.3 percent less than Business Plan projections.



The Passenger Miles/Train Mile ratio for the second quarter of the fiscal year is 85 Passenger Miles/Train Mile, up from the PM/TM ratio of 83 during the second quarter of last fiscal year and below the 108 PM/TM projected in the annual Business Plan.



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Capitol Corridor

There are currently twelve weekday round trips between Oakland and Sacramento, with the twelfth added in April 2003. One round trip each day continues to Auburn, and four round trips extend beyond Oakland to San Jose. On weekends there are nine Oakland-Sacramento round trips, with six round trips extending to San Jose and one to Auburn.

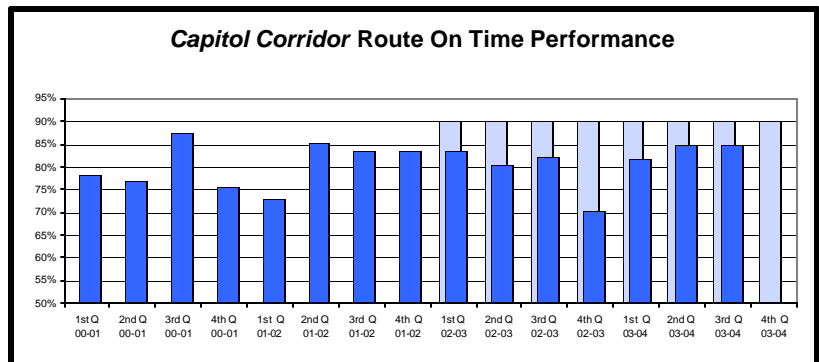
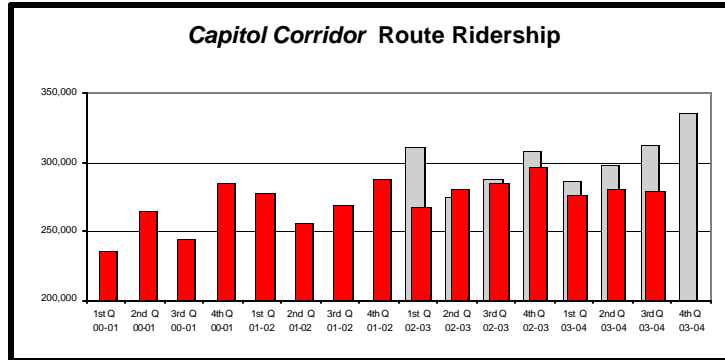
After 18 consecutive months of ridership records, the *Capitol Corridor* posted a slight decline in FY 2003-04 third quarter ridership when compared to the third quarter for FY 2002-03. Total ridership for the third quarter (January through March 2004) of FY 2003-04 slipped 1.9 percent compared to the same quarter the year before. The ridership was 10.7 percent below the quarter's projection in the Business Plan.

Ridership between
Sacramento/Davis and the Bay Area
continues its strong performance,

particularly at the Richmond station where people can take advantage of the convenient connection to the Bay Area Rapid Transit system. Ridership south of Oakland to San Jose, on the other hand, continues to struggle due primarily to economic conditions in the high tech sector.

On-time performance continued its climb reaching 85 percent during the third quarter—a significant improvement from the low of 70 percent performance in the fourth quarter of the prior fiscal year

(April, May, June of 2003). Working together, the *Capitol Corridor* Joint Powers Authority and Union Pacific Railroad have adopted a number of measures to improve the on-time performance on the Corridor. These efforts, coupled with the completion of the Department- funded double tracking of the Yolo Causeway and other signal improvements, should bring on-time performance up to the goal of 90 percent.

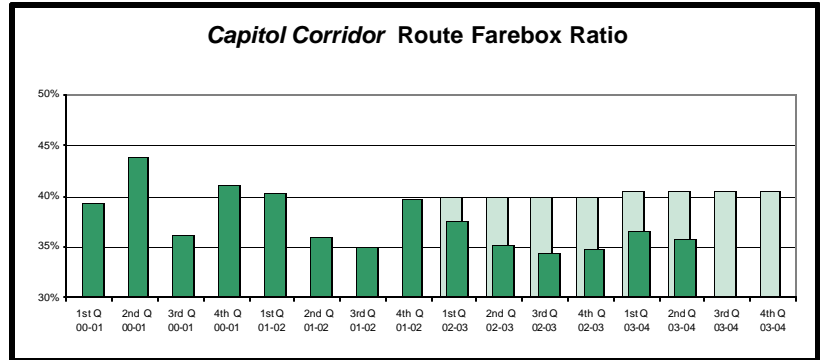


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Capitol Corridor (continued)

Revenues for the second quarter were 8.7 percent above the same quarter in the prior fiscal year. Expenses for the quarter were up 7.4 percent reflecting the addition of the twelfth round trip in April of 2003 but were 20 percent less than Business Plan projections reflecting the Capitol Corridor's and Amtrak's efforts to control costs. Farebox recovery for the second quarter came in at 35.7 percent—essentially unchanged from the same quarter of the prior fiscal year. The decline in the farebox ratio was not unanticipated, as new services require some time to build up ridership.



During the second quarter, the percentage of passengers using multi-ride tickets declined to below 50 percent. That trend reversed itself during the third quarter and in March 2004, the percentage of passengers using multi-ride tickets climbed to nearly 54 percent. Internet bookings also continue to be strong, comprising more than 10 percent of all tickets sold.

Reflecting the addition of the new frequency compared to the second quarter of the prior fiscal year, PM/TM decreased during the second quarter from 95 to 85. The PM/TM ratio is slightly better than the Business Plan projection of 84.

